



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

November 7, 2003

To: Michael D. Antonovich
Supervisor, Fifth District

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

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Third District

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Fifth District

ADDITIONAL COMMENTS ON ENTERTAINMENT INDUSTRY DEVELOPMENT CORPORATION (EIDC) AUDIT/RECOMMENDATIONS

On October 17, 2003, the Chief Administrative Office (CAO), with consultation from the Auditor-Controller, provided comments to you concerning the Entertainment Industry Development Corporation (EIDC) Audit conducted by KPMG LLP. Recently, the EIDC's Subcommittee on Governance (Subcommittee) adopted recommendations for restructuring based on KPMG's review. This office has prepared additional comments based on these recommendations. In addition, we have provided a few comments on the proposed bylaws drafted by EIDC staff.

Subcommittee's Recommendations for Restructuring

As with our initial comments, the following comments for your consideration are in regards to governance from the Subcommittee's recommendations:

- The Subcommittee's recommendation to restructure the Board of Directors with 32 members with six subcommittees may be too large to provide adequate focus and oversight. A Board of reasonable size that would achieve quorum and consistency of attendance may be advisable.
- The Subcommittee recommends that the 32 member Board be comprised of two City of Los Angeles representatives and one County of Los Angeles representative. This does not appear to be adequate government representation; no other cities in the County are represented, nor are unincorporated communities.

- The Subcommittee recommends that representatives from the City and County of Los Angeles shall be non-elected employees or citizens; the rationale for this is not clear. Further, it is recommended that the City and County representatives be selected by the EIDC Board, rather than the City or County. It appears more appropriate that the City Council and County Board of Supervisors select their own representatives.
- The Board of Directors is overly represented with industry interests. As proposed, almost two-thirds of the Board would be comprised of industry management and labor representatives. This appears inappropriate since it would provide industry representation ultimate control in establishing policy and making decisions on matters that regulate their operations.

Comments on Draft Bylaws

The following are comments on components of the proposed bylaws drafted by EIDC staff which appears to be based on the Subcommittee's recommendations (the numbering corresponds to the bylaw section):

- 1.211 Marketing of EIDC's services to other jurisdictions. What type of services and which jurisdictions? Promotion of filming in the County and City of Los Angeles could be compromised if EIDC is promoting filming outside of these jurisdictions.
- 2.2 Quorum. Language needs to be clear on what type of business transactions will be allowed to continue when quorum is initially present and then no longer present due to withdrawal of Directors. The current language suggests that a single remaining member at a meeting which began with a quorum could make final, binding decisions.
- 3.3 Composition. There is a discrepancy in the number of Board of Directors' representatives in between the draft bylaws and the recommendations submitted by the Subcommittee. The draft bylaws indicate 30 Board members while the Subcommittee recommends 32 members.
- 3.4 Additional Directors. This section states that if the EIDC conducts Employment Training Panel (ETP) activities, at least 51 percent of the Board members must be represented by "qualified employers" in order for the EIDC to qualify as an economic development organization. The ETP is a California State agency created in 1982 as a cooperative business-labor program to retrain workers. ETP funds training for new and existing employees in order for businesses to obtain the skilled workers they need to stay competitive, productive, and profitable. However, there is no mention

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of employment training in the existing or proposed functions of the EIDC. Therefore, it does not appear necessary that 51 percent of the Board members be comprised of "qualified employers." Additionally, as noted above, proposed industry representation is nearly 2/3. Clarification is needed.

- 5.8 Waiver of Notice. This section is confusing and clarification is needed.

Other comments

According to County Counsel, the EIDC is not legally required to comply with Brown Act requirements; however, current bylaws require compliance with the Act. The proposed bylaws do not require compliance to the Act. To foster and maintain public confidence in the operations of the organization, it may be advisable to require compliance of Brown Act requirements in the bylaws.

If you have any questions regarding these comments or would like to discuss in further detail, please call me or your staff may contact Lari Sheehan of this office at (213) 974-1174.

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c: Each Supervisor
County Counsel
Auditor-Controller